

2024 Clean Energy Canada Pre-Budget Submission

Recommendations:

Recommendation 1: \$550 million over 7 years to extend iMHZEV incentives, make programmatic updates, and expand cost eligibility to ZEMHDV infrastructure in the Zero Emission Vehicle Incentive Program.

Recommendation 2: \$20 million over 5 years to show and tell how ZEMHDVs can work for businesses, particularly for smaller fleet owners, through demonstration days and fleet and infrastructure assessments.

Recommendation 3: \$50 Million over 5 years to the Regional Energy and Resource Tables (RERTs) to identify intra-provincial transmission projects and the required support and investments to greenlight projects.

Recommendation 4: Create new funding envelopes that offer Indigenous Nations zero-interest loans for projects deploying clean technologies.

Recommendation 5: \$10 million over 2 years to fund development of Net-Zero Roadmaps for remaining heavy industry sectors.

Recommendation 6: \$15 million over 5 years to develop tools to increase capacity and education on Buy Clean and a federal support staff to provide training.

Recommendation 7: \$300 million over 5 years to develop, demonstrate and scale a diverse set of innovative near-zero-emission building materials.

Recommendation 8: Continue funding existing consumer facing incentives, and \$10 million over 2 years to provide small energy efficiency solutions, such as weather strips, LED lights, or water-efficient showerheads to low-income families.

Over the course of two climate plans and the past seven budgets, the Government of Canada has made commendable progress towards both reaching our climate goals and helping ensure that Canada builds a strong, resilient economy for generations to come.

Our recommendations are intended to leverage private sector investment to create new, good clean economy jobs, make life more affordable for Canadians, and leverage Canada's strategic advantages in the emerging clean economy.

1) Update current programming to make zero-emission medium- and heavy-duty vehicles more accessible and affordable, particularly for small fleet owners.

Cost: \$550 million to extend iMHZEV incentives, make programmatic updates, and expand cost eligibility to ZEMHDV infrastructure in the Zero Emission Vehicle Incentive Program

Gasoline and diesel medium- and heavy-duty vehicles (MHDV) are responsible for over [9% of Canada's total national emissions](#)—and their contribution is growing. Zero-emission medium- and heavy-duty vehicles (ZEMHDV) not only reduce emissions, but are also less expensive to fuel and maintain. Reducing upfront vehicle and infrastructure costs helps fleets access longer-term savings.

Accelerating the deployment of ZEMHDVs also provides manufacturing opportunities. Canada is already home to leading electric bus and truck makers such as New Flyer, Nova Bus, and Lion Electric. Growing domestic demand coupled with Canada's opportunity to build its battery value chain can further bolster this industry, creating good jobs for Canadians.

Yet, current federal programming [does not address the needs of all fleets](#). High upfront vehicle and infrastructure costs are a particular barrier for [small fleets with limited resources](#). We propose **updates to existing government programming to better meet the needs of fleets**.

- a. **\$400 million to extend incentives to 2030**, and make programmatic updates to the Incentives for Medium- Heavy-duty Zero-Emission Vehicles Program (iMHZEV), including doubling overall funding and extending incentives past 2026. The program should be updated to increase the maximum vehicle funding cap to 30 per year, and include tiered incentives for small fleets of 10 vehicles or less and public fleets to receive a larger per-vehicle incentive.

- b. **\$150 million to expand eligibility for ZEMHDV infrastructure via the Zero-Emission Vehicle Incentive Program** to cover 50% of the costs of a whole project, up to \$500,000, of eligible equipment and software. The program should also establish a higher threshold (\$750,000) and greater cost share (75%) for small businesses.

2) Drive ZEMHDV adoption with informational support services, including funding demo days

Cost: \$20 million to show and tell how ZEMHDVs work, particularly for smaller fleet owners, through regular demonstration days and fleet and infrastructure assessments.

Before purchasing, fleet owners and operators need to see and touch real models across the spectrum of MHDVs. They also need to speak with training institutions and businesses that own or are testing these vehicles.

Many smaller fleet owners and operators lack the access to capital to fund new demonstration trials and pilots, or understand how ZEMHDVs and the required charging infrastructure can fit into their business's operations. We therefore recommend:

- a) **\$6 million over 5 years to Natural Resources Canada** to fund regular Demonstration Days through its ZEV Awareness Initiative's MHDV stream.
- b) **\$14 million over 5 years** to support fleet and infrastructure assessments as a precursor to iMHZEV. These critically help small fleet owners/operators understand exactly how ZEMHDVs and infrastructure fit into their business. This is particularly important for small and medium enterprises that do not have access to human or financial capital to fund studies.

3) Utilize the Regional Energy and Resource Tables to collaboratively identify priority intra-provincial transmission projects, and identify the best means of supporting and accelerating investments in these projects.

Cost: \$50 Million over 5 years to the RERT to identify intra-provincial transmission projects and the required support and investments to greenlight projects

In Budget 2023, the Government of Canada indicated it would consult on the best means for supporting intra-provincial transmission lines that were critical to achieving 2035 net-zero objectives. Since that time, the importance of these projects has only grown. Intra-provincial power lines will be a key part of powering projects across the country, from the [deployment of Electric Arc Furnaces in Ontario's steel industry](#) to unlocking [new critical mineral plays in northern B.C](#) to [unlocking major renewable energy projects](#) in regions without adequate capacity to connect them to the grid.

Identifying the optimal financial tool for supporting an intra-provincial transmission project may vary project to project based on the partners involved and the size of the project.

The Government of Canada should utilize the existing Regional Energy and Resource Tables (RERT) as the mechanism for identifying priority projects and determining the optimal tool to support projects identified. The recently announced [British Columbia Regional Energy and Resource Table - Framework for Collaboration on the Path to Net-Zero](#) provides an example of what this could look like. Using the RERT initiative will also incentivize more provincial and Indigenous partners to come to the table and engage.

4) Create new funding envelopes that offer Indigenous Nations zero-interest loans for projects deploying clean technologies, utilizing both the CIB and the Canadian Growth Fund.

Cost: N/A (existing budget item from Budget 2023)

It is expected that the [vast majority of net-zero projects](#) will be hosted/built on Indigenous lands/territories. While consultation and free, prior and informed consent are required, the Government of Canada can go farther in advancing economic reconciliation by establishing a national zero-interest loan program that helps Indigenous Nations access the capital necessary to be active partners on these net-zero aligned infrastructure projects. This program would build off the announcement in Budget 2023 that advanced a “National Benefits-Sharing Framework” and enabled the CIB to provide loans to Indigenous communities to support equity stakes in projects the Bank also invested in.

Given the CIB already has a mandate to provide loans for projects it is invested in, this should be expanded to consider loans for projects with Indigenous Nations partners outside of the CIB's own investments, where the project is aligned with an established funding stream. Similarly, the Canada Growth Fund should establish an Indigenous Nations zero-interest loan program as one of the [“investment instruments”](#) it will use to “absorb risks” and “encourage private investment.”

5) Prioritize developing Net-Zero Roadmaps for remaining heavy industry sectors: Chemicals & Fertilizers, Forest Products, Mining and Steel.

Cost: \$10 million over 2 years to fund roadmap development with industry, academia and stakeholders, as well as detailed modelling of decarbonization pathways

Canadian heavy industry emissions were [77 megatonnes](#) in 2021. Net zero cannot be attained without dramatic emissions reductions from heavy industries. Unlike the oil and gas sector, demand for products from these sectors will grow in a clean economy.

Ensuring that these sectors have a clear pathway to net zero in 2050 can provide investment certainty to industry, attract capital from around the world, and ensure that these sectors continue to produce prosperity and well-paying jobs. Leading in this space increases our competitiveness and ensures a healthy export market for decades to come, as countries and private buyers increasingly demand low-carbon materials.

Canada should engage with industry to co-develop sectoral net-zero transition plans with clear emissions reductions goals and milestones for all heavy industry sectors, using the framework from the Roadmap to Net-Zero Carbon Concrete by 2050 for the cement and concrete sector.

6) Build capacity across the broader public sector to increase adoption of Buy Clean practices

Cost: \$15 million over 5 years to develop tools to increase capacity and education on Buy Clean and a federal support staff to provide training

By introducing an ambitious and truly national Buy Clean policy that spans all levels of government, Canada could avoid up to [4 Mt of emissions by 2030](#). A Buy Clean approach also has the added advantage of supporting many of Canada's already leading low-carbon industries. With 91% of the world's GDP committed to reaching net zero by 2050, the future market for low-carbon materials is potentially enormous.

In addition to cost, lack of awareness, understanding and capacity among federal, provincial and local governments and public entities is a barrier to wider adoption of green procurement policies.

[Successful international models](#) have dedicated a team as a hub for practical information on sustainable procurement. We recommend a \$15 million commitment over 5 years: \$6 million for ~10 FTEs to support the development of this team and \$9 million for the creation of resources.

7) Invest in Canadian innovation in construction materials, and ensure Governments are ready to procure emerging technologies in our built environment.

Cost: \$300 million over 5 years to develop, test, demonstrate and deploy pre-commercial and innovative near-zero-emission building materials

The IEA estimates that pre-commercial technologies for steel, cement and other heavy industries are needed for about [60% of 2050 emission reductions under their net-zero scenario](#). Governments must provide support to ensure these technologies are widely available by the mid- to late-2020s or risk missing key investment cycles.

We recommend that Budget 2024 allocates \$300 million over 5 years to develop, test, demonstrate, and deploy pre-commercial construction materials and products that contribute to net zero goals.

We recommend \$55 million/year over 5 years be allocated to NRCan's Low-carbon Building Materials Innovation Hub (which was announced in the 2030 Emission Reduction Plan, but has yet to be funded). This program could operate similarly to the General Services Administration's Low-Carbon Building Materials Pilot Program in the US, which received [\\$2.15 billion in funding in 2023](#).

A complementary \$5 million/year over 5 years should be allocated to ISED's Innovative Solutions Canada to ensure that new products and technologies have a pathway to commercialization through federal procurement.

8) Prioritize continued funding for consumer-facing incentives

Cost: Continue funding existing consumer facing incentives, and \$10 million over 2 years to provide small energy efficiency solutions, such as weather strips, LED lights, or water-efficient showerheads to low-income families.

Recent extreme weather events have made climate change a pressing [concern for many Canadians](#). At the same time, however, many households are facing another major worry: how to afford their bills with the increasing cost of living.

We urge that the Government continue funding consumer-facing incentives that make the clean transition as easy as possible for Canadians, including but not limited to the iZEV Program, the Canada Greener Homes Initiative, and the Climate Action Incentive Payment.

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The government should also extend energy efficiency programs, in particular the Greener Homes Grant, to tenants. Since spending on the Greener Homes Initiative has [fallen short](#) of the \$2.6 billion committed in the 2020 Fall Economic Statement, extending the grant program to renters for the final three years of the program need not come at an additional cost.

Additionally, the government should run or support programs that provide small energy efficiency solutions to low-income families. At an estimated value of [\\$100](#) for such a package, a \$10 million program would support up to 100,000 households.